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**CREDIT NUMBER 4120 -DJI**

# **Development Credit Agreement**

**(Power Access and Diversification Project)**

**between**

**REPUBLIC OF DJIBOUTI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated November 28, 2005**

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**CREDIT NUMBER 4120 -DJI**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated November 28, 2005, between REPUBLIC OF DJIBOUTI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

- (a) Section 5.08 of the General Conditions is amended to read as follows:

*"Section 5.08. Treatment of Taxes*

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association's policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association."

(b) Section 6.03(c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) “EdD” means “Electricité de Djibouti”, the Borrower’s electricity utility;
- (b) “Environmental Management Plan” means the Borrower’s plan dated April 21, 2005, and updated from time to time by agreement of the Borrower and the Association, consisting of a set of mitigation, monitoring, and institutional measures to be taken during implementation and operation of the Project to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels;
- (c) “Financial Management Action Plan” means the action plan agreed upon between the Borrower and the Association, referred to in Section 5.01(c) of this Agreement;
- (d) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;
- (e) “Financial Policies and Procedure Manual” means the manual agreed upon between the Borrower and the Association, referred to in Section 5.01(c)(ii) of this Agreement;
- (f) “MAEM” means “Ministère de l’Agriculture, l’Elevage et la Mer”, the Borrower’s Ministry of Agriculture, Livestock and Marine Affairs;
- (g) “Manual of Operations” means the Borrower’s manual referred to in Section 5.01(b) of this Agreement;
- (h) “MEFPP” means “Ministère de l’Economie, des Finances et de la Planification, chargé de la Privatisation”, the Borrower’s Ministry of Economy, Finance and Planning in charge of Privatization;
- (i) “MERN” means “Ministère de L’Energie et des Ressources Naturelles”, the Borrower’s Minister of Energy and Natural Ressources;
- (j) “MHUEAT” means “Ministère de l’Habitat, de l’Urbanisme, de l’Environnement et de l’Aménagement du Territoire”, the Borrower’s Ministry of Habitat, Environment, Urban Planning and Land Management;

(k) “Net Client Rotation Ratio” means amount of accounts receivables measured in number of days;

(l) “ONED” means “Office National des Eaux de Djibouti”, the Borrower’s water public utility responsible for the production and distribution of water;

(m) “Opening and Evaluation Committee” means the committee composed for each component of the project according to the provisions of the Manual of Operations, which will be responsible for opening and evaluating bids under the project;

(n) “PMU” means the Project Management Unit in charge of the implementation of the Project composed in accordance with Section 5.01(a) of this Agreement;

(o) “Procurement Plan” means the Borrower’s procurement plan, dated May 27, 2005, covering the initial eighteen (18) month period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 of this Agreement;

(p) “Project Account” means the account referred to in Section 3.03 of this Agreement;

(q) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on June 19, 2004, and on behalf of the Borrower on July 6, 2004;

(r) “Special Account” means the account referred to in Section 2.02(b) of this Agreement; and

(s) “Steering Committee” means the committee referred to in Schedule 4, Part A(2) of this Agreement.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to four million seven hundred thousands Special Drawing Rights (SDR 4,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the

reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in United States Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2009, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 of each year.

Section 2.07. (a) Subject to paragraphs (b), (c), and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing November 15, 2015 and ending May 15, 2025.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate technical, administrative, financial, engineering, public utility and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement and the Environmental Management Plan.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than twelve (12) months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of making available its counterpart contribution to the financing of the Project:

(a) open and maintain an account (the Project Account) in its Central Bank on terms and conditions satisfactory to the Association;

(b) not later than two (2) months after the Effective Date, make an initial deposit into such account, in an amount equivalent to US\$220,000 to finance the Borrower's contribution to the Project for the first year;

(c) thereafter, and in the beginning of each following calendar year, make a deposit into the Project Account, in an amount equivalent to US\$20,000, until the completion of the Project; and

(d) use the Project Account exclusively to finance expenditures under the Project.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

#### **ARTICLE IV**

##### **Financial Covenants**

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited by private external auditors acceptable to the Association, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.



(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Schedule 4, Part A.1(c) and Part B.1(b), the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than forty five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than forty five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

## ARTICLE V

### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01(b) of the General Conditions:

(a) The Borrower shall have appointed to the PMU: a PMU Director, a financial management officer, an electricity engineer, and a secretary, and shall have deputed to the PMU a staff member of the Environment Directorate of MHUEAT to follow up on environmental and social safeguards issues, and technical specialists from EdD, ONED and MEFPP, all with Terms of Reference and qualifications satisfactory to the Association.

(b) The Borrower shall have prepared and furnished to the Association a PMU Manual of Operations in form and substance satisfactory to the Association, which shall include a detailed procurement procedures, define the interface with the local regulatory arrangements, the composition of the Opening and Evaluation Committee for each component and the responsibility of line governmental entities vis-à-vis the approval of Terms of Reference, technical specifications and the reception of deliverables, and draw the role of the steering committee in the oversight of the project.

(c) The Borrower shall, through the PMU, have implemented in a manner satisfactory to the Association, the Financial Management Action Plan, and in particular, shall have:

- (i) Hired a Financial Officer to handle the Financial Management function based on Terms of Reference satisfactory to the Association;
- (ii) Prepared a Financial Policies and Procedures Manual satisfactory to the Association;
- (iii) Procured, installed and implemented accounting software acceptable to the Bank; and
- (iv) Designed, prepared and furnished to the Association a full preliminary set of Financial Monitoring Reports (FMRs).

(d) The Borrower shall have entered into an agreement with EdD setting forth and defining the obligations of EdD with respect to the carrying out of the Project, in form and substance satisfactory to the Association.

(e) The Borrower shall have entered into an agreement with ONED setting forth and defining the obligations of ONED with respect to the carrying out of the Project, in form and substance satisfactory to the Association.

Section 5.02. The following is specified as an additional matter, within the meaning of Section 12.02(b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the agreements referred to in Section 5.01(d) and 5.01(e) have been duly signed by and between the Borrower and EdD, and the Borrower and ONED, and are respectively legally binding upon them in accordance with their terms.

Section 5.03. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VI**

### **Representative of the Borrower; Addresses**

Section 6.01. The Minister of Economy, Finance and Planning in charge of Privatization of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economy, Finance and Planning  
in charge of Privatization  
BP: 13  
Djibouti City

**Republic of Djibouti**

Facsimile:

(253) 35 6501

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Cairo, Arab Republic of Egypt, as of the day and year first above written.

REPUBLIC OF DJIBOUTI

By /s/ Ali Farah Assoweh

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Emmanuel Mbi

Country Director  
Middle East and North Africa Region

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works		
(a) under Part A	850,000	83%
(b) under Part B	2,925,000	100%
(2) Goods	40,000	100%
(3) Consultants' Services and Audit	450,000	100%
(4) Operating Costs	60,000	100%
(5) Refunding of Project Preparation Advance	350,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	25,000	
TOTAL	<u>4,700,000</u> =====	

2. For the purposes of this Schedule:

(a) the term "Operating Costs" means expenditures incurred by the Borrower on account of the salary of the financial management officer during the implementation of the Project, furniture for the PMU, fuel for the vehicle of the PMU, and excluding utility charges, communication expenses, office supplies and stationary, the cost of the PMU office space and the salaries of the PMU staff.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing the equivalent to US\$100,000 or less per contract; (b) works costing the equivalent to US\$100,000 or less per contract; (c) services of consulting firms costing the equivalent to US\$100,000 or less per contract; (d) services of individual consultants costing the equivalent to US\$50,000 or less per contract; and (e) Operating Costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) increase the access to, and reliability of the power sector; and (ii) improve the efficiency of the electricity utility.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

#### Part A: Increasing Access to the Power Distribution Network

Extension and rehabilitation of the electrical distribution network of Djibouti-Ville so as to increase the network coverage mainly in the poorest and underserved areas.

#### Part B: Investment in a Pilot Wind Farm in Arta

Construction, operation and maintenance of a wind electricity plant in Arta, including works to connect it to the grid and to provide access roads.

#### Part C: Technical Assistance and Efficiency Improvement

Provision of technical assistance to further the efficiency and improve the performance of EdD, through:

- (i) The carrying out of an Electricity Tariff Study to review the electricity prices in Djibouti and the financing of access for low-income households, and preparation of an implementation action plan for the findings of the study;
- (ii) The carrying out of an Electricity Loss Reduction Study to identify the losses of EdD and efficiency opportunities, and preparation of an implementation action plan for the findings of the study to improve EdD's financial and technical situation; and
- (iii) The carrying out of an Electricity-Water Joint Commercial Management Study to assess the feasibility of a joint commercial management of EdD's and ONED's consumer bases; and if the study finds the joint commercial management feasible, preparation of an implementation action plan to increase EdD's and ONED's financial sustainability.

\* \* \*

The Project is expected to be completed by June 30, 2009.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

##### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding.

##### B. Other Procurement Procedures

1. Limited International Bidding. Goods which the Association agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

2. National Competitive Bidding. Goods estimated to cost less than US\$100,000 equivalent per contract and works estimated to cost less than US\$200,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

3. Shopping. Goods estimated to cost less than US\$50,000 equivalent per contract and works estimated to cost less than US\$30,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

4. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.



Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than US\$50,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications. Services estimated to cost less than US\$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

5. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis subject to prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) for goods, works and services (other than consultants' services), (i) all contracts procured on the basis of International Competitive Bidding, Limited International Bidding, Shopping or Direct Contracting; and (ii) contracts procured on the basis of National Competitive Bidding estimated to cost above US\$100,000; and (b) for consultants' services (i) contracts for consulting firms costing above US\$100,000; (ii) all contracts procured on the basis of Single Source Selection; and (iii) contracts for Individual Consultants costing above US\$50,000. In addition, with respect to each contract for the employment of individual consultants estimated above US\$50,000, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. All other contracts shall be subject to Post Review by the Association.

## **SCHEDULE 4**

### **Implementation Program**

#### **A. Project Implementation and Coordination**

1. The PMU shall implement the Project on behalf of the Borrower. The PMU shall:

(a) be maintained and composed in accordance with Section 5.01(a) throughout the implementation of the Project;

(b) be responsible for: (i) managing and coordinating Project activities; (ii) overall Project's financial management; (iii) the procurement activities; and (iv) the Project's monitoring and evaluation;

(c) comply with the calendar and procedures agreed in the Procurement Plan and with the calendar and format of the regular progress reports and audits required, without prejudice to the provisions of paragraph B.1(b) below;

(d) establish a procurement record for all contracts.

(e) not later than October 15, 2005, draft the Terms of Reference satisfactory to the Association in form and substance for the Electricity Tariff Study and its implementation action plan, and no later than October 15, 2006, enter into an agreement with EdD to implement the action plan;

(f) not later than October 15, 2005, draft the Terms of Reference satisfactory to the Association in form and substance for the Electricity Loss Study and its implementation action plan, and no later than October 15, 2006, enter into an agreement with EdD to implement the action plan; and

(g) not later than December 31, 2005, draft the Terms of Reference satisfactory to the Association in form and substance for the Joint Commercial Services Feasibility Study and its implementation action plan.

2. The Steering Committee shall be composed of high representatives of MEFPP, MAEM, MERN, EdD, and ONED, and shall supervise project implementation and monitoring and provide guidance and support to the PMU.

3. The Borrower shall cause the improvement of EdD's Net Client Rotation Ratio, measured in days as follows:  $(\text{Total Net Client Receivables/Sales}) * 365$ , from 132 days to ninety (90) days by the completion of the project. In that regard, the Borrower shall furnish to the Association as soon as available, but not later than six (6) months after the end of each year, (A) certified copies of the financial statements of EdD for such year, in

conformity with International Accounting Standards as so audited by external auditors acceptable to the Association, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association and in accordance to International Standards on Auditing.

B. Mid-Term Review

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed with the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by September 30, 2007, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

## **SCHEDULE 5**

### **Special Account**

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories 1(a), 1(b), (2), (3), and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount equivalent to US\$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to US\$300,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,500,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the

payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6(a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.